

Tata Motors to buy Ford India's plant for \$91m

REUTERS

Tata Motors Ltd signed an agreement on Sunday to buy Ford Motor's manufacturing plant in the western state of Gujarat for 7.26 billion rupees (\$91.5 million).

The agreement between the Indian automaker's subsidiary Tata Passenger Electric Mobility Ltd (TPEML) and Ford India Pvt Ltd (FIPL) covers land, assets and all eligible employees.

"With our manufacturing capacity nearing saturation, this acquisition is timely and a win-win for all stakeholders," Tata Motors said in a statement.

The Jaguar Land Rover parent said the acquisition of the Sanand plant will unlock a manufacturing capacity of 300,000 units per year that could increase to 420,000.

Ford had less than 2% of the Indian passenger vehicle market when it stopped production in the country last year, having struggled for more than two decades to generate profits.

No recession in Switzerland this year: economist

AFP, Geneva

Switzerland does not expect to dip into recession this year despite the threat of an energy supply squeeze, the government's chief economist said Sunday.

The Swiss economy is "doing well" despite the impact of the war in Ukraine on energy prices, Eric Scheidegger told the SonntagsZeitung newspaper.

He said it was down to companies to steel themselves for the possibility of power shortages in the winter months.

"We may have to revise our economic forecast downwards for next year. The revised forecast will be published on September 20. However, we do not expect a recession for this year," Scheidegger said.

"We run the risk of an energy supply bottleneck in winter. If there are persistent production interruptions in the EU and we ourselves have a gas shortage, it becomes problematic."

"In our negative scenario, we expect zero growth for 2023 instead of growth of almost two per cent." Despite the threat of power shortages and the effects of the war in Ukraine, Scheidegger does not see a serious economic crisis heading towards Switzerland.



A shopkeeper tries to beat the heat using a traditional hand fan made of palm leaves while sitting out in front of his store in Khulna city, which is witnessing four to five hours of power cuts every day. The government announced a schedule for area-based power cuts in mid-July for a reduction in electricity production. The photo was taken at Galkhali Mor in Khalishpur on Sunday noon. PHOTO: HABIBUR RAHMAN

Inflation still the name of the game

REUTERS

Latest US inflation numbers are in markets' sight, especially since Federal Reserve policymakers have come out in force to correct any misconception about their determination to slay decades-high inflation with big rate hikes.

The fallout from Nancy Pelosi's high-profile visit to Taiwan will be watched closely, as will Chinese and UK data while Ukraine is hoping for a debt payment freeze from international investors.

Here's your week ahead in markets from Kevin Buckland in Ottawa, Ira Iosebashvili in New York and Andy Bruce, Karin Strohecker, Dhara Ranasinghe and Vincent Flasseur in London.

Wednesday's July US inflation print is shaping up as a key test for a summer rally in US stocks that has lifted the S&P 500 to multi-week highs.

The benchmark index is up 14 per cent from its mid-June low, supported in part by expectations that the Federal Reserve will be less hawkish than previously anticipated.

Fed officials have pushed back against the idea that they will be less aggressive in a so-called dovish pivot.

Any signs that inflation is not yet

peaking after the Fed's 225 bps worth of rate hikes could provide a reality check to markets hopeful of a soft landing for the economy.

Analysts polled by Reuters forecast annual inflation at 8.9 per cent in July versus 9.1 per cent in June, which was the largest increase since 1981.

US House of Representatives Speaker Nancy Pelosi's visit to Taiwan, which China claims as its own territory, means US-China tensions are rising again.

To be fair, the selloff in world stocks and the Taiwan dollar as well as the rush to safe havens such as US Treasuries quickly subsided.

Still, market sensitivity to political risk is high since Russia's invasion of Ukraine in February. China announced fresh military drills on Monday in the seas and airspace around Taiwan. It launched unprecedented live-fire military drills in areas that ring Taiwan following Pelosi's visit. Taiwan says this violates United Nations rules and invades its territorial space.

Scaled by Russia, investment funds have already started to tread carefully in China. No doubt, investors will remain alert to further signs of trouble in the East.

Cash is cheap in China, because of an abundance of it sloshing around amid

government measures to support an economy scarred by zero-Covid policies.

The key money rate, the overnight repo rate, is languishing at a 1-1/2-year low below 1 per cent, and data due as early as Wednesday will show the state of new loans and total money supply.

Conditions need to be easy, with the country set to miss its original growth target of 5.5 per cent. Beijing has shifted to trying to keep economic expansion within a "reasonable range."

Thankfully, consumer price inflation has been manageable at 2.5 per cent, well below the official 3 per cent target, even if it is at nearly two-year highs. The latest reading is also due Wednesday.

Covid, though, has been more temperamental, with a new flare-up in the port city of Yiwu threatening further supply chain snarls.

How close is Britain to falling into recession? That's the big question ahead of economic growth figures next Friday, following dismal Bank of England forecasts.

The BoE reckons a new slump will begin at the end of this year but other top forecasters, such as the National Institute of Economic and Social Research, think it might start in the current quarter.

RBI may jack up repo rate to 6pc

REUTERS, Mumbai

The Reserve Bank of India is likely to raise its key policy rate by upto 60 basis points by the end of 2022, before pausing, but the pace of rate hikes is likely to slow down, analysts said.

"We are retaining our view of a terminal policy rate of 6 per cent...We expect a 35 bps hike at the next meeting in September and a final 25 bps hike in December, before growth concerns and the cumulative rate hikes delivered thus far lead the MPC to shift into an extended pause," Nomura economist Sonal Varma said in a note.

The RBI's monetary policy committee (MPC) raised its repo rate (INREPO-ECI) by 50 basis points on Friday, the third increase in the current cycle, to cool stubbornly high inflation that has remained above its tolerance band for six straight months.

The RBI has hiked the repo rate by aggregate of 140 basis points since it started its rate hike cycle through an unscheduled meeting in May. It is scheduled to meet in September as well as in December.

Kotak Mahindra Bank said it expects the repo rate to be raised to 5.75 per cent-6.00 per cent, and the RBI to continue with rate hikes as a line of defence, for rupee stability and against elevated inflation.

The Indian rupee has depreciated by 6.9 per cent so far in 2022 against the US dollar, and hit a record low of 80.0650 in July.

Siemens Energy blames Russia crisis for huge loss

REUTERS, Frankfurt, Duesseldorf

Siemens Energy on Monday blamed a 200 million euro (\$204 million) charge related to the wind-down of its Russian business for a wider net loss in 2022, but said it was still prepared to maintain turbines for the Nord Stream 1 Russian gas pipeline.

The supplier of equipment to the power sector said that its Russian business activities could be sold or wound down and the company was in touch with public authorities to work out the details.

"Of course, implementing this is not trivial in the current environment," Siemens Energy Chief Executive Christian Bruch said.

Shares in the company were down 2.8 per cent by 0855 GMT, having pared earlier losses, but were still underperforming the broader sector.

Siemens Energy said its 2022 net loss would exceed last year's 560 million euro loss by the 200 million euro charge, which is reported as a special item. It previously expected its 2022 net loss to be similar to last year's.

The group, which was spun off from Siemens, said in March it would stop all new business in Russia following Moscow's invasion of Ukraine that began on February 24.

Sales in Russia accounted for a low single-digit percentage share of Siemens Energy's total sales last year of 28.48 billion euros, it has said.



Asaduzzaman Khan, minister for home affairs, addresses a programme on the 47th martyrdom anniversary of Father of the Nation Bangabandhu Sheikh Mujibur Rahman at Islami Bank Tower in Dhaka on Sunday. Md Nazmul Hassan, chairman of Islami Bank Bangladesh, presided over the programme. Mohammed Monirul Moula, managing director, was present. PHOTO: ISLAMI BANK BANGLADESH

Project for developing

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"So, universities are creating graduates who are not employable by the industry because they don't have the right management or soft skills and I think this is another area we can focus on the policy level," he added.

It is important to create graduates in a way such that when they come out, they are actually in a way already attuned to what business requires of them, said Haakon Bruaset Kjoel, head of external relations for Asia at Telenor.

"So as a part of private sector members, we see that predominantly in Europe and US market, where you bring part of the business into the

classroom," he said.

"It starts when you enter university, where research projects are the number one important part of the curriculum. It actually allows students to deal with the real problems taking place," he added.

Bikarna Kumar Ghosh, managing director at Bangladesh High-tech Park Authority; Russell T Ahmed, president of the Bangladesh Association of Software and Information Services; Rashedur Rahman, executive director at ICE Center at the University of Dhaka, and Nazneen Ahmed, a country economist at UNDP Bangladesh, also spoke.

Fuel price hike pulls down

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Coppertech Industries topped the gainers list, rising 9.78 per cent, while SK Trims, BD Thai Food and Beverage, Golden Son, and Sea Pearl Beach Resort and Spa also rose significantly.

Olympic Industries shed the most, eroding 6.8 per cent, while FAS Finance, Fareast Finance, International Leasing and Financial Services, and Mutual Trust Bank were also in the top losers list.

Beximco Ltd became the most

traded stock with shares worth Tk 80 crore changing hands followed by Malek Spinning Mills, Coppertech Industries, Olympic Industries, and Intraco Refueling Station.

The Chittagong Stock Exchange (CSE) also fell yesterday. The CASPI, the all share price index of the port city bourse, dropped 96 points, or 0.52 per cent, to close the day at 18,438.

At the CSE, 91 stocks advanced, 121 fell and 61 were unchanged.

Three ways a strong dollar

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in the sovereign debt space - which is already troubled.

Many countries - especially the poorest - cannot borrow in their own currency in the amount or the maturities they desire. Lenders are unwilling to assume the risk of being paid back in these borrowers' volatile currencies. Instead, these countries usually borrow in dollars, promising to repay their debts in dollars - no matter the exchange rate. Thus, as the dollar becomes stronger relative to other currencies, these repayments become much more expensive in terms of domestic currency. This is what - in public debt lingo - is called the "original sin".

So, who is better off? The share of dollar-denominated debt is relatively low among East Asian countries, and Brazil has fared pretty well in recent months. The latter has benefitted from the central bank's large dollar holdings, the fact that the private sector seems to have insulated itself well against currency fluctuations, and that it is a net commodity exporter.

GROWTH CONCERNS

As the US Federal Reserve hikes interest rates, other central banks must raise their own rates to remain competitive and defend their currency. In other words, investors must be given a reason (higher returns) to invest in an EM rather than move their money into less-risky US assets.

This presents a conundrum. On one hand, a central bank obviously wants to protect foreign investment in the domestic economy.

But, on the other hand, rate hikes increase the cost of domestic borrowing and have a dampening effect on growth as well.

The Institute of International Finance, recently reported that, "foreign investors have pulled funds out of emerging markets for five straight months in the longest streak of withdrawals on record." This is crucial investment capital that is flying out of EMs towards safety.

Finally, a domestic slowdown

will, in time, hit government revenues and could thus exacerbate aforementioned debt problems.

TRADE TROUBLES

In the short term, a strong dollar can also weigh on trade. The greenback dominates international transactions. Firms operating in non-dollar economies use it to quote and settle trades. Just look at key commodities like oil, which are bought and sold in dollars.

In addition, many developing economies are price-takers (their policies and actions don't impact global markets) and are largely dependent on global trade; a strong dollar can have major impacts on them, domestically, including spiking inflation.

As the dollar strengthens imports become expensive (in domestic currency terms), thus forcing firms to reduce their investments or spend more on crucial imports.

The long-term trade picture is rosier for some, but overall, it's an uneven picture. Yes, imports are more expensive amid a strong dollar, but exports are relatively cheaper for foreign buyers. Export-led economies may be able to benefit as increased exports boost GDP growth and foreign reserves, which helps to alleviate many of the issues detailed here.

EASING THE PAIN

Unfortunately, countries have few options to address these problems in the short term. These issues are best dealt with pre-emptively rather than reactively.

To prevent the next crisis, countries should act now to shore up their fiscal position and engage in sustainable borrowing. Even in challenging times, policymakers can find opportunities to encourage investment and spur economic growth while reducing fiscal pressures. For its part, the international community must do more to speed up debt restructuring. Doing so will go a long way to put countries back on a more sustainable fiscal path.

The author is global director for macroeconomics, trade and investment of the World Bank Group.



Women entrepreneurs pose for photographs after participating in a workshop on "Access to Finance, Markets and Beyond" organised jointly by Delivery Tiger and IPDC Finance at the IPDC office in Dhaka recently. AKM Fahim Mashroor, chief executive officer of Delivery Tiger, and Rizwan Dawood Shams, additional managing director of IPDC Finance, were present. PHOTO: IPDC FINANCE



Ismat Ara Huq, general manager of human resources division at Pubali Bank, poses for photographs with the participants after a workshop on "Work Life Balance for Woman in Banks" in Dhaka recently. Sharbari Saha, faculty of ICFAI Business School, Kolkata in India, conducted the workshop organised by "ACTIVA Management Development Institute". PHOTO: PUBALI BANK



Shams Abdullah Muhaimin, deputy managing director of Prime Bank, and Gazi Shahriar Parvez, company secretary of Dhaka Electric Supply Company (Desco), exchange signed documents of an agreement over online prepaid electricity bill collection at the former's head office at Nikunja in Dhaka recently. Md Kausar Ameer Ali, managing director of the Desco, and Mohammad Farhan Adel, senior vice-president of the bank, were present. PHOTO: PRIME BANK